

CERF



COUNTY EMPLOYEES' RETIREMENT FUND

Summary Annual Report

For the Fiscal Year Ending December 31, 2005

Helping you build a brighter tomorrow

COUNTY EMPLOYEES' RETIREMENT FUND

CERF Pension Plan Information

CERF Administrative Office
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Telephone: (573) 632-9203
Toll-Free: (877) 632-2373
Facsimile: (573) 761-4404
Website: www.mocerf.org
E-mail: admin@mocerf.org

CERF Savings Plan Information

Great-West Retirement Services
100 N. Tucker, Suite 100
St Louis, MO 63101

Toll-Free: (877) 895-1394
Facsimile: (314) 241-2181
Website: www.gwrs.com*
E-mail: stephen.richer@gwrs.com
KeyTalk® Information Line: (800) 701-8255*

*User Name and Personal Identification Number required.

COUNTY EMPLOYEES' RETIREMENT FUND 2005 Board of Trustees

Conny Dover – Board Member

Rosemary Gannaway – Secretary

Bettie Johnson – Board Member

Dick Jones – Board Member

Peggy Kubicek – Board Member

Elaine Luck – Vice-Chair

Kay Murray – Board Member

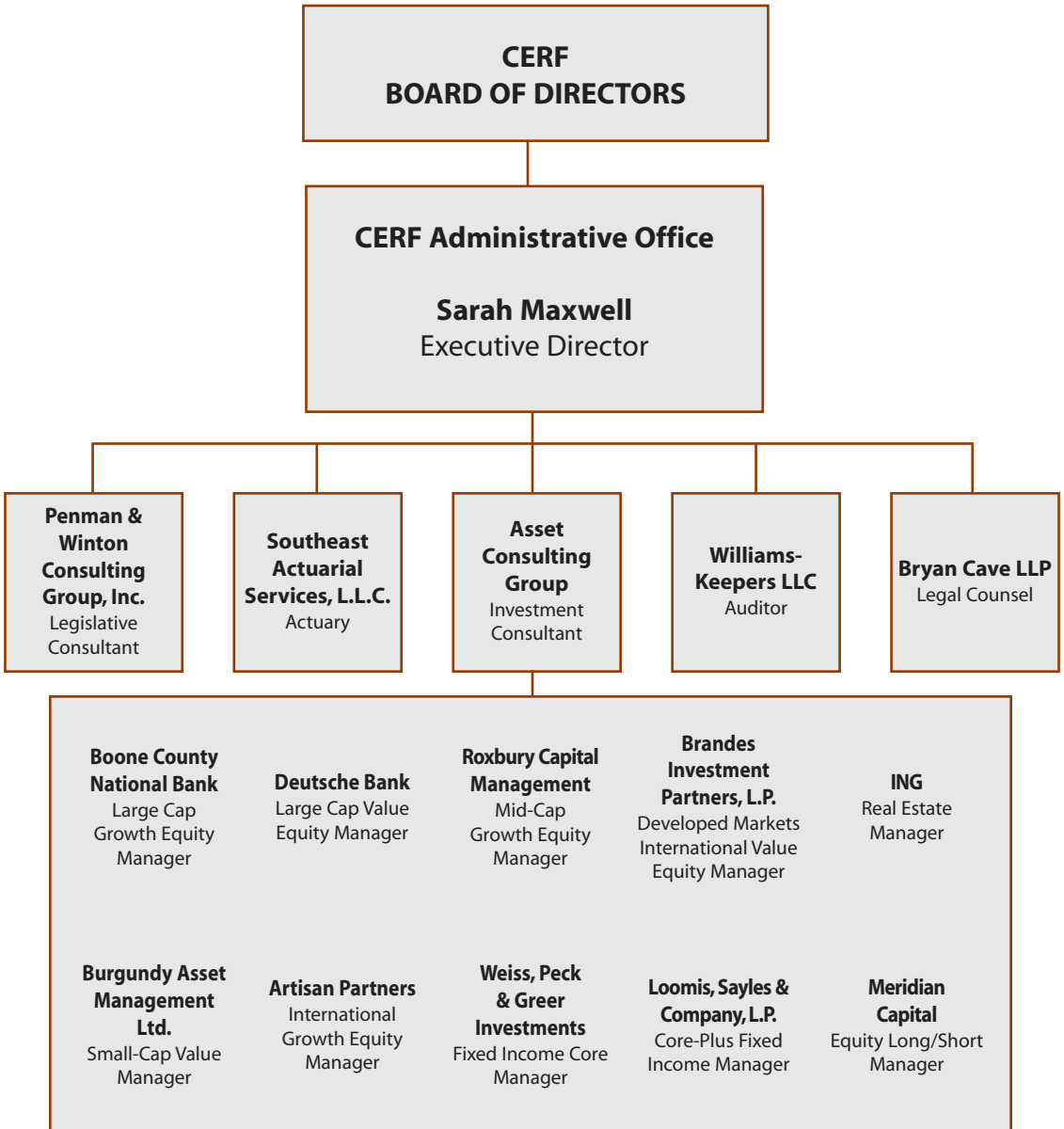
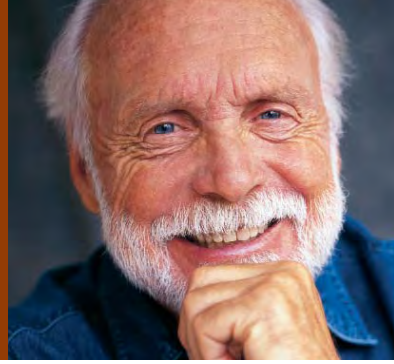
Jerry Reynolds – Board Member

Wayne Scharnhorst – Chair

Frank Sifford – Board Member

Fred Ward – Board Member

ADMINISTRATIVE STRUCTURE



This Annual Report is distributed for informational purposes only. The full text of actuarial reports, financial statements and audit materials is available upon request pursuant to Missouri's Open Records Law. To request any of these documents, you may send a written request to the plan administrator at:

CERF Plan Administrator
2121 Schotthill Woods Drive
Jefferson City, MO 65101

The actual language of the statutes and rules and regulations creating and implementing the County Employees' Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees' Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.

Cerf Pension Plan

Eligibility

Full-time employees (scheduled to work 1,000 hours a year) are eligible to participate in the Pension Plan. Part-time employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.

Participation

Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time employees begin participating once they become eligible.

Contributions

House Bill 1455 required all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county contributions in the form of fees and penalties.

Vesting

A participant is vested after eight creditable years of service.

Prior Service

Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.

Early Retirement

Members have the option of retiring as early as age 55 (with eight years of creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment on or after January 1, 2000, and meet other eligibility requirements.

Cost-of-Living Adjustment

The Board may authorize a COLA each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. Cost-of-Living Adjustments will become effective on July 1 of each year.

Survivor Benefits

ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000. In addition, if the participant's death should occur after eight years of service, the surviving spouse is eligible to apply for a 50% spousal benefit.

VESTED TERMINATIONS: If a participant is vested but terminates employment prior to becoming eligible to draw a benefit, and then dies before his or her pension begins, his or her surviving spouse can apply for a 50% survivor benefit.

SINGLE, VESTED MEMBERS: House Bill 795, effective 8/28/04, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2005.

RETIRED MEMBERS: Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option designated on his or her benefit calculation. Members who terminate employment or retire on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.

Cerf Savings Plan

Eligibility

A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.

Automatic Contributions

Effective January 1, 2000, a member who is not in LAGERS is required to contribute .7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.

Voluntary Contributions

In 2005, participants may contribute up to the lesser of \$14,000, or 100% of their includible compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.

Matching Contributions

Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who remain employed through the end of the year and will be deposited into member accounts as soon as administratively feasible after the plan year has ended. Any matching money granted to member accounts will be deposited into the 401(a) portion of their account.

Vesting

Members are always 100% vested in their automatic and voluntary contributions to the plan and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire) or if they die during the plan year.

Investment Options

A broad range of investment options is available, including the option to pick individual funds or investing through a selected portfolio.

Making Changes

Participants may change the amount of their contributions on a quarterly basis and can stop deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either the voice response system or through the website at www.gwrs.com.

Payment Options

Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, periodic distributions, or in a lump sum.

Rollovers and Plan Transfers

Members who have other qualified 457 or 401(a) or (k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.

Need More Information

For more information on the CERF Savings Plan, please see the contact information on the Administration page of this document or call the CERF Administrative Office for a copy of the most recent Savings Plan brochures.

Investments

Overview

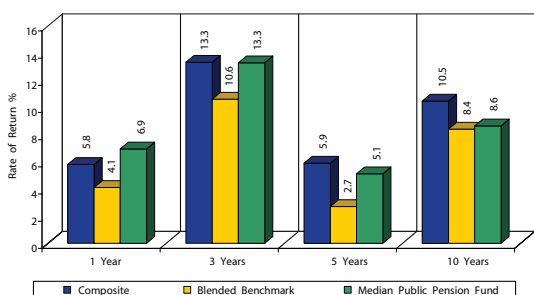
The County Employees' Retirement Fund (CERF) investment portfolio is managed in accordance with the plan's investment policy, which clearly defines the guidelines and parameters within which CERF's retirement plan assets are to be invested and monitored.

Total Portfolio Investment Guidelines and Objectives

CERF's overall investment objective is to maximize return within prudent risk parameters over a long-term time horizon. All investment-related decisions are made in the best interest and for the benefit of the pension plan's participants and beneficiaries.

CERF has three broad long-term investment objectives: (1) to achieve a return of 1% over the actuarial assumption rate (currently 8%), (2) to grow the portfolio assets at 5% over the inflation rate, and (3) to outperform a blended passive index (blended benchmark) which mirrors the portfolio's asset allocation mix. The Board of Trustees has defined specific risk parameters within which these objectives are expected to be achieved.

The following chart represents CERF's investment performance compared to relevant benchmarks for various time periods ending December 31, 2005:



Total Portfolio Asset Allocation

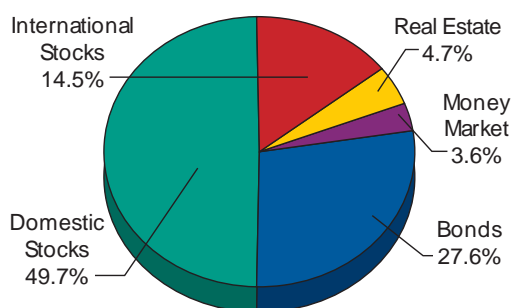
The asset allocation mix is regularly reviewed to ensure that it is appropriate, given CERF's investment objectives and guidelines and considering other factors such as the size of the portfolio, the fund's liability stream and risk tolerance.

Historically, there have been two major broad asset classes used in the portfolio; equity and fixed income, with a target allocation of 60% in equity and 40% in fixed income. After a detailed asset allocation study in 2004, the target allocation was adjusted to 65% in equity and 35% in fixed income.

To further enhance the portfolio's diversification, the asset classes in which it invests were modestly broadened in 2005 to include a 5% allocation to real estate. The chart below depicts the total pension plan's asset allocation as of December 31, 2005, or asset classes in which it invests. Specifically, a 5% allocation to real estate was added to the target asset mix. The real estate allocation was implemented in 2005 through a well-diversified pooled investment vehicle (fund).

The chart below depicts the total pension plan's asset allocation as of December 31, 2005:

Total Assets: \$195 million

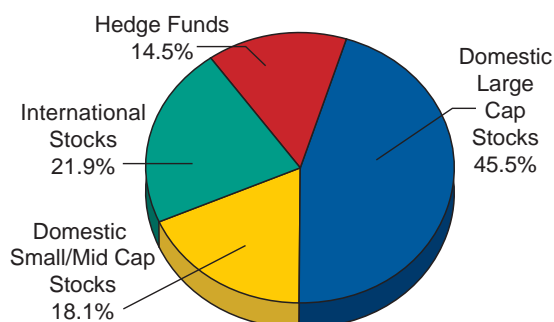


Equity Portfolio Guidelines and Objectives

Because different types of stocks behave differently in various market environments, it is important to diversify an equity portfolio. CERF's equity portfolio is diversified by asset class (domestic stocks, international stocks and equity long/short hedge funds), investment size (small, mid and large capitalization stocks), investment style (value and growth stocks), and investment management organization (different money managers are responsible for managing specific pieces of the portfolio).

The following chart displays the equity asset allocation for the CERF pension plan as of December 31, 2005:

Total Equity Assets: \$129 million



Investments

Equity Style Allocation

Each equity manager is expected to invest in a well-diversified portfolio of high quality securities. The managers are also given certain benchmarks and performance hurdles which they are expected to exceed over reasonable periods of time and within appropriate risk parameters. Each investment manager who is engaged by CERF is given a specific assignment along with detailed guidelines and constraints within which they are expected to manage their portion of the portfolio.

Fixed Income Portfolio Guidelines and Objectives

Bond or fixed income investments are included in the portfolio as a diversification strategy. The fixed income portfolio is intended to represent the broad fixed income markets, with an emphasis on high quality bonds. The objective of the fixed income portfolio is to equal or exceed the return of the Lehman Brothers Aggregate Index on a risk-adjusted basis. The portfolio is also expected to perform above average when compared to other similar fixed income portfolios over a complete market cycle.

2005 Year in Review

In 2005, domestic equity markets posted positive results. Large cap stocks generated modest gains as the S&P 500 was up 4.9%. Mid cap stocks were the best performers in the domestic equity market with the Russell Midcap Index posting a return of 12.7% for the year. Small cap stocks ended their six-year run of outperforming large cap stocks with the Russell 2000 returning 4.6% in 2005.

Overall, U.S. equity returns trailed those of international developed equity markets on both a U.S. dollar basis and a local currency basis in 2005 with the MSCI EAFE Index posting gains of 14.0%.

Thriving from the rising short-term interest rate environment, shorter-duration U.S. fixed income sectors outperformed their longer-duration equivalents. The flattening yield curve left spreads near six-year tight levels, leading the Lehman Brothers Aggregate Bond Index to a 2.4% return for the year, which was the lowest return since 1999's -0.8%.

During 2005, CERF's portfolio participated in the continued positive performance of the domestic and international equity markets. The pension plan posted a total return of 5.8%, which significantly outpaced the 4.1% return of its blended benchmark. Over the ten-year period ending December 31, 2005, CERF's 10.5% return ranks in the top 4% when compared to other public pension funds. Just as importantly, CERF's investment returns have been achieved with less risk than the blended benchmark.

The following chart summarizes the pension plan's actual return and risk over the ten-year period ending December 31, 2005:

Total Pension Fund Performance			
For Period Ending December 31, 2005*			
	Benchmark	Objective CERF	Objective Met?
• At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption by 1% on an ongoing basis.**	9.0%	10.5%	YES
• The Pension Fund's annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.5%	10.5%	YES
• The Pension Fund's total return, net of management fees and transaction costs, should exceed the total return of an index composed as follows: 65% S&P 500 Stock Index 35% Lehman Brothers Aggregate Bond Index	8.4%	10.5%	YES
• The Pension Fund's level of risk, as measured by Standard Deviation, should be consistent with the risk of: 65% S&P 500 Stock Index 35% Lehman Brothers Aggregate Index	10.8	10.4	YES

* All returns shown are for **10 years** ending December 31, 2005.
** The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption by 1%, which is an absolute objective of 9%, net of management fees and transaction costs. **Long-term is defined as ten years.**

Ongoing Monitoring

CERF's Board of Trustees meets with its consultant each calendar quarter to review the investment portfolio in detail. In addition, interim meetings are held as needed to address specific issues.

The investment consultant's role is to assist the Trustees in creating and updating investment policy, developing, monitoring and updating the asset allocation strategy, assessing overall portfolio and individual manager risk, monitoring and evaluating the fund's investment managers, and making recommendations regarding changes or adjustments to the portfolio where appropriate. The consultant provides monthly reports to the staff and meets with the Board quarterly or more frequently as needed.

The investment managers also provide monthly updates on their portfolios to the consultant and CERF's staff. In addition, each investment manager presents a formal update to the Board of Trustees on an annual basis.

Actuarial

PLAN MEMBERSHIP

AS OF JANUARY 1, 2006

Covered Payroll	\$301,692,241
Average Pay per Active Member	\$27,914

ANNUAL REQUIRED CONTRIBUTION

Unfunded Actuarial Accrued Liability (UAAL)	\$74,548,878
Amortization of UAAL, with interest to mid-year*	\$5,606,270
Normal Cost, with interest to mid-year	\$12,421,986
Reduction in Normal Cost for member contributions	\$4,580,454
Annual Required Contribution as a percent of payroll	\$13,447,802 4.46%

PLAN ASSETS

Market / Actuarial Value	\$197,722,089
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FUNDED STATUS

Actuarial Present Value of Accrued Benefits (based on current pay)	\$234,740,976
Funded Ratios	
Accumulated Benefit Basis	84%
Actuarial Accrued Liability Basis	73%

* The UAAL is being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995.

County Employees'

Financial Statements

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS DECEMBER 31, 2005

ASSETS:

Investments at Fair Value:

Investments	\$	168,141,859
Net unrealized gains (losses)		22,231,338
Total Investments	\$	<u>190,373,197</u>

Receivables:

Accrued dividends & interest on investments	560,193
Accounts Receivable – Counties	2,230,121
Accounts Receivable – Members	316,833
Accounts Receivable – Buyback	133,616
Accounts Receivable – CERF Administrative Office	2,001

Land and Building	4,014,705
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Office Equipment – net of depreciation	610,147
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Cash in bank	<u>1,014,340</u>
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Total Assets	\$ 199,255,153
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LIABILITIES:

Accounts payable	\$	306,865
Accrued defined contribution plan contribution		978,612
Other accrued expenses		96,110
Deferred revenue		<u>151,477</u>

Total Liabilities	\$	<u>1,533,064</u>
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Net Assets Available for Benefits	\$	<u><u>197,722,089</u></u>
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Retirement Fund



STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2005

ADDITIONS:

Contributions:

County Receipts	\$18,831,892
Members, regular	5,003,001
Members, purchase of prior service	57,572
Total Contributions	<u>\$23,892,465</u>

Investment Income:

Interest Income	2,593,677
Dividends	1,926,309
Net appreciation in fair value of investments	5,918,877
Total Investment Income	<u>10,438,863</u>
Less: Investment expenses	(1,098,433)

Net Investment Income	<u>9,340,430</u>
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Total Additions	<u><u>33,232,895</u></u>
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DEDUCTIONS:

Benefits paid directly to participants	9,909,963
Refunds of member contributions	1,176,530
Defined contribution plan matching contribution	978,612
Administrative expenses	1,943,247
Total Deductions	<u>14,008,352</u>

Net Increase	19,224,543
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Net Assets Available for Benefits

Beginning of Period	178,497,546
End of Period	<u><u>\$197,722,089</u></u>

CERF Demographics

(Data as of December 31, 2005)

Active Participants	10,808
Retired Members and Beneficiaries	2,053
Terminated Vested Participants	1,225

Sum of Death Benefits (since inception)	\$ 2,369,948
Sum of Remaining Buy Back Balances	\$ 133,616
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$ 50,012,654

Average Gross Monthly Benefit	\$399.99
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Summary of County Contributions for 2005

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Filing Fees
\$3,950,928	\$1,179,285	\$5,895,486	\$86,970	\$4,986,394	\$502,634	\$7,215,815

County Employees' Retirement Fund
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Presort Standard
U.S. Postage Paid
Jefferson City, MO
Permit No. 337